



City of Scottsdale, Arizona
Annual Report of the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2014

Prepared By City of Scottsdale Water Resources Division
September 26, 2014

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The City of Scottsdale (City), Arizona, Annual Report on the Collection and Use of Development Fees for the Fiscal Year Ended June 30, 2014 is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, N. "Each municipality that assesses development (impact) fees shall submit an annual report accounting for the collection and use of the fees in the service area."

The annual report must be submitted to the City Clerk within ninety days following the end of the fiscal year and may contain information that has not been audited. The annual report shall include the following:

1. The amount assessed by the municipality for each type of development fee.
2. The balance of each fund maintained for each type of development fee assessed as of the beginning and end of the fiscal year.
3. The amount of interest or other earnings on the monies in each fund as of the end of the fiscal year.
4. The amount of development fee monies used to repay:
 - a. Bonds issued by the municipality to pay the cost of a capital improvement project that is the subject of a development fee assessment, including the amount needed to repay the debt service obligations on each facility for which development fees have been identified as the source of funding and the time frames in which the debt service will be repaid.
 - b. Monies advanced by the municipality from funds other than the funds established for development fees in order to pay the cost of a capital improvement project that is the subject of a development fee assessment, the total amount advanced by the municipality for each facility, the source of the monies advanced and the terms under which the monies will be repaid to the municipality.
5. The amount of development fee monies spent on each capital improvement project that is the subject of a development fee assessment and the physical location of each capital improvement project.
6. The amount of development fee monies spent for each purpose other than a capital improvement project that is the subject of a development fee assessment.

The report must provide the balance of each fund maintained for each type of development fee at the beginning and end of the year along with the current year's activity. This report complies with ARS Section 9-463.05, N, as amended.

Development fees are one-time payments to fund construction of public facilities needed to accommodate new development. Development fees may not be used for replacement of existing facilities, nor may they be used to cover operating expenses. The intent of these fees is for new development to pay its "proportionate share" of capital cost for infrastructure capacity needed for growth. Water Supply development fees pay for the costs of acquiring new water supplies, including groundwater recharge at the Water Campus. Water development fees pay for the cost of new water treatment, production, pumping, storage and transmission facilities. Sewer development fees pay for the cost of sewer collection, conveyance, treatment, and reclamation. These fees apply to all development and are paid at the time of issuance of the building permit. To properly account for the collection and use of development fees, the City established the three funds shown in the following table.

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Fee Type	Fund
Water Development Fees	626
Water Supply Development Fees	627
Sewer Development Fees	628

The City adopted new development fees effective July 1, 2014 to comply with previously enacted legislative changes to ARS § 9-463.05. The revised development fees are based upon a ten year planning horizon. The City prepared updated Land Use Assumptions, Infrastructure Improvements Plans and Impact Fee Report which were adopted by City Council.

The cash balances in the development fee funds may be positive or negative at various times during the new growth and capital expansion cycle. At some points in time, capital expansion must occur well in advance of collecting fees from future development in order to serve the next new development. This results in temporary negative cash balances that will be repaid as fees are collected from new development over time. At other times, new growth may be served with existing system capacity. At these times, fees may be collected in advance of capital expansion costs resulting in temporary positive cash balances, which will be applied toward future capital expansion costs. The following Summary of the Collection and Use of Development Fees shows negative ending cash balances in Funds 626, 627, and 628. The summary also presents the amounts collected and expended by fund for the fiscal year ended June 30, 2014.

This report is provided to comply with ARS Section 9-463.05, N. If you have any questions about this report or need additional information, contact:

Scottsdale Water Resources Division
9379 East San Salvador Drive
Scottsdale, AZ 85258
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SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES

	Water <u>Fund 626</u>	Water Supply <u>Fund 627</u>	Sewer <u>Fund 628</u>
REVENUES			
Development Fees Assessed/Collected	\$ 6,782,943	\$ 1,779,884	\$ 6,940,567
EXPENDITURES			
Capital Improvement Project Expenditures	20,389	-	(267,488)
Professional Services/Fee Study Costs	17,452	17,452	17,865
Debt Service Payments	5,289,626	1,275,648	9,389,814
Total Expenditures	5,327,467	1,293,100	9,140,191
Net Cash Increase (Decrease)	1,455,476	486,784	(2,199,624)
Beginning Fund Cash Balance	(119,849,567)	(3,440,017)	(125,971,287)
Ending Fund Cash Balance	(\$118,394,091)	(\$2,953,233)	(\$128,170,911)

There were no interest or other earnings; each fund had a negative fund balance during the fiscal year.

SCHEDULE OF CAPITAL IMPROVEMENT PROJECT EXPENDITURES

WATER DEVELOPMENT FEES - FUND 626

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
W0710	Water Over-sizing	Various Locations	\$21,301
W4708	Well Sites	Various Locations	(912)
			<u>\$20,389</u>

WATER SUPPLY DEVELOPMENT FEES - FUND 627

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
None	None	None	None

WATER RECLAMATION DEVELOPMENT FEES - FUND 628

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
V3704	Collection System Improvements	Various Locations	(\$341,617)
V8620	Wastewater Master Plan	Various Locations	46,337
V0703	Sewer Over-sizing	Various Locations	27,792
			<u>(\$267,488)</u>

NOTES: Capital project expenditures are shown net of amounts financed, including financing reimbursements for prior years.

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SCHEDULE OF DEBT SUMMARY

<u>Debt Description</u>	<u>FY 2013/14 Debt Service</u>	<u>Future Principal At 6/30/14</u>	<u>Future Interest At 6/30/14</u>	<u>Principal & Interest</u>	<u>Final Payment</u>
WATER					
2008 MPC	\$4,921,556	\$58,565,002	\$30,107,593	\$ 88,672,595	2032
2010 MPC	368,070	7,180,154	5,152,604	12,332,758	2036
	<u>\$5,289,626</u>	<u>\$65,745,156</u>	<u>\$35,260,197</u>	<u>\$101,005,353</u>	
WATER SUPPLY					
2008 MPC	\$ 860,412	\$10,238,635	\$ 5,263,563	\$15,502,198	2032
2010 MPC	415,236	8,100,240	5,812,873	13,913,113	2036
	<u>\$1,275,648</u>	<u>\$18,338,875</u>	<u>\$11,076,436</u>	<u>\$29,415,311</u>	
SEWER					
2004 Revenue Refunding	\$ 879,078	\$ 1,658,160	\$ 113,026	\$ 1,771,186	2016
2004 MPC	992,600	0	0	0	2014
2006 MPC Refunding	588,322	11,766,442	4,964,564	16,731,006	2030
2008 Revenue Refunding	3,611,421	30,315,000	8,707,591	39,022,591	2023
2008 MPC	1,789,657	21,296,363	10,948,216	32,244,579	2032
2010 MPC	1,528,735	29,821,909	21,400,722	51,222,632	2036
	<u>\$9,389,813</u>	<u>\$94,857,874</u>	<u>\$46,134,120</u>	<u>\$140,991,994</u>	

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SUMMARY OF FEE FUNDED PROJECTS - ADVANCED FUNDS

Water Development Fees

Project Description

68th Street: Osborn-Indian School Waterline
Alameda/122Nd Street Booster Pump Station
Architect/Engineer Services
Ashler Hills Waterline
Booster Station - 70th St/Lone Mountain
CAP Plant Expansion
CAP Plant Regulatory Compliance
CAP Water Connection: Shea To McDonald
CAP Water Transmission Main
CAP Water Treatment Plant Expansion
CAP Water Treatment Plant Pump Station/Zone 5
CAP Water Treatment Plant Water Reservoir
Chaparral Water Treatment Plant
Chaparral Wtp Influent Waterline
Core North/South Water
Downtown Water Transmission Lines
Dynamite-Scottsdale To Pima Road Waterline
Master Plan – Water
Master Well Site Study
McDowell Mt Ranch Reservoir Expansion
Pima Rd: Union Hills To Pinnacle Peak Waterline
Pima Road - Pinnacle Peak To Jomax Waterline
Pima Road-Ashler Hills To Cave Creek Waterline
Pima Road-Jomax To Ashler Hills Waterline
Pinnacle Peak Waterline Replacement
Pump Station 130
Sampling Water Quality Stations
Thompson Peak Waterline
Union Hills To Hualapai Transmission Line-Pima
Utility Sleeve Crossing/Outer Loop
Water Distribution System Improvements
Water Oversizing
Water Quality Improvement–So. Neighborhood
Water System Architect/Engineer Svc
Well Sites
Zone 12-13 Water System Improvements
Zone 12-13 Water Transmission Lines
Zone 14-16 Water Improvements

Sewer Development Fees

Project Description

Advanced Water Treatment Plant
Advanced Water Treatment Plant - Phase 2
Advanced Water Treatment Plant - Phase 3
Bell Road II Improvement District
Citywide Flow Monitoring
Core North/South Wastewater
Downtown Sewer Improvements
Downtown Wastewater Trunk Lines
East Pump back For Water Campus
Master Plan Water Reclamation
Miller Rd Trunk Sewer: Earl I Dr-Roosevelt
Miller Road Sewer Phase 3
North Scottsdale Rd Sewer Diversion
Outer Loop Sewer Scottsdale Rd To Pima
Pima Rd Sewer/Via Linda To Cholla
Regional Wastewater Reclamation Plant
Relief Sewers - Citywide
Residuals Sewer Line
Scottsdale Rd - Pinnacle Peak Boulder
SROG Wastewater Plant Expansion
SROG Wastewater Treatment Plant
SROG Water Reclamation Plant Exp. Up05
Wastewater Collection Syst. Improvements
Wastewater Oversizing
Wastewater Reclamation Plant - Phase 2
Water Campus Influent Pump Station
Water Reclamation Plant Phase 3
Westland Rd Relief Sewer
WRP Associated Collection System
Sewer Funds Advanced - \$128,170,911

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Water Development Fees - continued

Project Description

Zone 2 Pump Station

Zone 2 Res - 120th & Shea Blvd

Zone 3 Tank East & 120Th St

Zone 5-7 Pump St Pima/Deer Valley

Zone 5E Booster Pump Station & Transmission Line

Zone 9 Reservoir Expansion

Water Funds Advanced - \$118,394,091

Water Supply Development Fees

Project Description

Advanced Treatment Plant

Advanced Treatment Plant - Phase 2

Advanced Treatment Plant - Phase 3

Bill Williams River Water Rights

Deep Well Recharge/Recovery Facilities

Initial Recharge/Recovery System

Master Plan – Water

Water Rights Acquisition

Water Supply Funds Advanced - \$2,953,233